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ABSTRACT

This project undertook the following: (1) examination of the scope and structure of the private, nonprofit sector in the United States; (2) analysis of the patterns of spending by Federal, State, and local governments in fields where nonprofit organizations are active; and (3) evaluation of the impact of changes in government policy on the revenues of nonprofit organizations and on the demand for their services. Sixteen local field sites were selected to provide a reasonable cross section of the nation. A number of conventional conceptions of the role and character of the nonprofit sector and of the operation of the nation's human service delivery system are inaccurate. For example, the nonprofit sector is far larger, and plays a far more important role in the delivery of human services than most analyses of the American welfare state would suggest. Findings also challenged conventional ideas about (1) an inherent conflict between nonprofit organizations and government; (2) the American "welfare state"; and (3) the financial base of the nonprofit sector. The study also questions the orientation of the "charitable" sector by documenting its relatively limited focus on the poor and its growing reliance on fee-paying customers. (LHW)

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Government and the Nonprofit Sector  
in the American Welfare State

By

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Washington, D.C.

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**Partners in Public Service: Government and the Nonprofit Sector  
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**Partners in Public Service: Government and the Nonprofit Sector  
in the American Welfare State**

During the past several years we have been engaged in a major project examining the scope and structure of the private, non-profit sector in the United States; analyzing the patterns of spending by federal, state, and local governments in fields where nonprofit organizations are active; and evaluating the impact of changes in government policy on the revenues of nonprofit organizations and on the demand for their services. This project has involved work at the national level and in 16 local field sites selected to provide a reasonable cross-section of the nation in terms of region, size, socio-economic condition, and philanthropic tradition. These field sites include one large metropolitan area, one medium-sized metropolitan area, one small metropolitan area, and one rural county in each of the four major census regions of the country. (See table 1 below).

In each of these field sites, several different types of data gathering and analysis were undertaken. These included: (1) a survey of nonprofit human-service organizations (exclusive of hospitals and higher education institutions); (2) the tracking of federal, state, and local government spending in six major human service fields (health, social services, employment and training, housing and community development, arts and recreation, and income assistance); (3) analysis of the extent of government contracting with nonprofit service agencies in these six fields; (4) case studies; (5) a survey of religious congregations; and (6) extensive interviewing of prominent nonprofit and philanthropic leaders.

Out of this work has come a substantial body of new data about the nonprofit sector, about government human service activity, and about the relationships between the two. What these data suggest is that a number of the conventional conceptions of the role and character of the nonprofit sector and of the operations of the nation's human-service delivery system are in need of revision. In particular:

- o We have demonstrated that the nonprofit sector is far larger, and plays a far more important role in the delivery of human services, than most analyses of the American welfare state would suggest and many accounts of the nonprofit sector have acknowledged. In fact, in many localities, the expenditures of the private nonprofit sector exceed those of local governments by a factor of two or three to one.
- o Our work has challenged conventional theories that posit an inherent conflict between nonprofit organizations and government, and has shown instead the extent to which these two sectors have joined forces in the pursuit of public objectives.
- o We have raised questions about the conventional image of the American "welfare state," which confuses the provision of funds with the delivery of services, and have demonstrated how substantial a portion of the services that government funds are actually delivered by private, nonprofit groups.
- o We have altered long-standing assumptions about the financial base of the nonprofit sector by documenting the dominance of government and service fees over private giving as sources of nonprofit revenue.
- o We have raised important questions about the orientation of the "charitable" sector by documenting the sector's relatively limited focus on the poor and its growing reliance on fee-paying customers.

In the pages that follow we elaborate on these and other themes and present some of the evidence in support of them, focusing first on the results of our survey of nonprofit service organizations, and then examining the results of our detailed analysis of federal, state, and local government spending.<sup>1</sup>

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<sup>1</sup>For a more detailed statement of project findings, see the list of project publications at the end of this paper.

### The Nonprofit Sector

A major objective of our four-year research effort has been to close the gaps that have long existed in basic information about the scope and structure of the nonprofit sector, its principal sources of funding, its activities, and its clientele. In addition, we have sought to monitor how recent changes in public funding priorities have affected this set of organizations. Our research focused on the human services component of the nonprofit sector, namely that group of organizations which actually provide services to a broad, general public, not just to their own membership. Included in this definition are day care centers, programs for the elderly, museums, symphony orchestras, YMCAs, job training programs, and many more. Only hospitals and higher education facilities were excluded from our study in order to make our survey more manageable and because good information on these two types of nonprofit organizations is available from the American Hospital Association and the National Center for Education Statistics.

### The Approach

To learn about these agencies, we first developed a complete roster of all nonprofit human service organizations in our 16 study sites and then distributed a mail survey to the entire population of such agencies in our medium and smaller sized sites, and to large samples of these agencies in the five largest sites. Altogether 7000 agencies were sur-

veyed and over 3400 responded, yielding a response rate of 49.7 percent, which, judging by other research of this type, is quite good.<sup>2</sup> Two years later, in the spring of 1984, we resurveyed the original respondents, and received about 2300 returns that could be linked to our Wave 1 data files.

Without question, this study has been an ambitious undertaking both for the size and scope of the work, but also because the type of longitudinal information it has developed is seldom available to the research and policy communities. Like any study, however, it has its limitations. For example, our decision to resurvey only original respondents meant that we could not obtain information on the newly formed organizations in the sector. Similarly, in spite of considerable effort to identify the organizations that "closed" or "went-out-of-business" during the period between our two rounds of data collection, our information on this group of organizations is quite limited. Yet in spite of such caveats, we have been able to gain enormous insights into how nonprofit organizations function and how they are coping with cutbacks in government funding, insights that in some cases run counter to conventional belief. In particular, nine principal findings of our survey work deserve mention.

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<sup>2</sup>In 17 previous studies of the nonprofit sector that we reviewed, samples rarely exceeded 1000 agencies and survey response rates typically averaged below 30 percent. In two of the surveys most comparable to The Urban Institute's work in terms of sample size and depth of analysis, response rates of less than 15 percent were achieved.



## Findings

### 1. Fewer nonprofits focus on the poor than is commonly believed.

Although the popular image pictures nonprofits as principally focused on providing services to the poor, this stereotype does not reflect the realities of today's nonprofit world. Less than one-third of the agencies in our sample said that they focused on serving a low income or poor clientele. This finding in part reflects the great diversity of the sector in terms of its activities and client focus. Nonprofits not only provide social services, they also offer culture/arts/recreation activities, education and research, health-related services, and a host of other activities that address broad community needs (see table 2). Furthermore, far fewer agencies focus on serving a particular ethnic, racial, or special need group than some theories of the nonprofit sector would suggest. Rather, most agencies serve a broad cross section of community members. Clearly, the nonprofit sector is not a homogenous entity with a common set of goals, purposes, or objectives.

### 2. Most nonprofit organizations in this country are small but the vast majority of the sector's expenditures are made by a relative handful of large agencies.

As table 3 shows, 40 percent of the nonprofit organizations in our study have expenditures of under \$100,000, but these small agencies account for only 2 percent of the sector's resources. It is the large agencies, with budgets over \$1 million, that control the bulk of the sector's money. These large agencies account for three-quarters of the sector's resources. Clearly, financial expenditures, and hence service activity, are not spread evenly throughout the sector, and this picture of concentration would be even greater if hospitals and higher education institutions were included.

### 3. Even after an initial round of government budget cuts, government--not private charity--is the largest single source of revenues for the average nonprofit organization in this country.

As shown in table 4, 38 percent of the sector's 1982 income came from government, with 60 percent of the agencies receiving some portion of their funding from government sources. The second major source of funding is income from dues, fees, and service charges, accounting for 30 percent of the total. Fee income also is the most widely used source of support with nearly 7 out of 10 nonprofit agencies collecting this type of revenue. Private charitable giving ranks third among all major funding sources and accounted for only 21 percent of the sector's 1982 income. What is most surprising is the relatively small proportion of agencies that actually received private philanthropic support. Only 38 percent of the agencies in our study received foundation grants; 34 percent got corporate gifts; and 23 percent received United Way funding. Apparently, it is donations directly from individuals that is the



mainstay of private philanthropic support. Although philanthropic giving may be a distinctive feature of the nonprofit sector, it is government funding that has supported much of the sector's activity.

4. Funding patterns vary widely by service area and by community.

Aggregate statistics, like those presented above, tend to mask differences between the various components of the sector. For example, as table 5 shows, 6 of the 10 service areas in our study relied on government support for half or more of their funds. Fee income was the principal funding source for health services and education/research activities, while private giving was the principal source of support for only one service area--culture/arts/recreation. Similarly, in each of our study communities there was considerable variation in funding patterns (see table 6). Although government funding was the principal source of support for nonprofits in each local community, the extent of reliance on government ranged from 66 percent in Jackson, Mississippi, to 32 percent in Chicago. As in our national picture, fee income tended to be the second most important source of funding in 7 of our 12 metropolitan sites. In only four communities--Jackson, Boise, New York, and Dallas/ Fort Worth--did private giving rank as the number two source of income.

5. As nonprofits entered the 1984 fiscal year, the average agency was still 3 percent below its previous 1981 government funding levels in inflation adjusted dollars.

Between 1981 and 1982, government support to the average nonprofit organization dropped by 6 percent (see table 7). But cuts were deepest in the service areas of legal services/advocacy (down 29 percent), housing/community development (down 16 percent), employment/training/income support (down 13 percent), and social services (down 9 percent). Our preliminary analysis of round 2 data show that in the following year, 1982 to 1983, government support increased by 3 percent. However, this still left the sector 3 percent below its 1981 level.

6. In spite of government budget cuts, nonprofit organizations, on average, continued to grow, replacing much of their lost government revenues from increases in fees and service charges.

Based on our second round of data, we estimate that total funding for the average nonprofit agency in our study increased by approximately 6 percent between 1981 and 1983. Fee income rose by 13 percent, while increases in all sources of private giving, combined, went up by 10 percent. This is particularly significant in view of the fact that fee income started from a larger base. It thus appears that the nonprofit sector has been more successful in raising revenue from commercial sources than from philanthropic ones.

7. Some types of nonprofit agencies have not been able to replace their lost government revenues and therefore remain substantially below their total 1981 funding levels.

While the nonprofit sector as a whole was able to recover from the early losses in government support, agencies that specialize in employment/training, legal services/advocacy, social services, and multi-service activities did not (see table 7). These agencies apparently have less access to either fee income or private philanthropic support. Whether this is because of the types of services that these agencies provide or because of the types of clients that they serve, these nonprofits could not replace their lost government funding and ended the 1981-1982 period with net declines in total revenue. Preliminary analysis of our round 2 data suggest that, of those nonprofits noted above, all but social service agencies continued to be below their 1981 funding levels at the start of 1984. In addition, housing/community development organizations have joined this list of struggling nonprofits. Because these types of organizations rely so heavily on government support for their funding, any future cuts in government support undoubtedly will put a considerable squeeze on their already depleted resources.

8. The impact of government retrenchment varied by site, but these differences cannot be explained simply in terms of Sunbelt growth vs. Snowbelt decline (see table 8).

Although cities such as Dallas/ Fort Worth and Phoenix posted impressive gains in their overall budgets, other Sunbelt sites such as Atlanta and Jackson were not able to recover from cuts in their government funding. On the other hand, some Snowbelt communities, like Flint and Pittsburgh, suffered substantial declines in their funding base, but New York and Minneapolis/St. Paul were among the success stories in our study. Clearly, regional differences and local economic conditions play a part in explaining why some nonprofits recovered from government budget cuts while others did not, but other factors also contributed to this outcome. It is still unclear at this point what factors enable nonprofit organizations to grow and to prosper.

9. For many nonprofits, the loss of government funding has meant a reduction in services, an increase in workloads for staff, and the devotion of more staff time and resources to fundraising efforts.

There clearly are signs of stress within the sector (see table 9). Many nonprofit organizations are experimenting with new ways of lowering costs and improving management efficiencies. Our round 2 data indicate that a few nonprofits have set up profit making subsidiaries, hired outside fund raising specialists, or developed programs to obtain funding through wills and bequests. But agency directors have expressed concern that funding problems will continue to affect the availability of services, as well as the quality of services. With the almost certainty of more government funding cuts on the horizon, the nonprofit sector is likely to face even more austere conditions in the months ahead than it did in the early 1980s.

### The Nonprofit Sector and Government

Because, as noted above, nonprofit organizations receive the largest share of their revenues from government, no serious analysis of the nonprofit sector can proceed very far without a clear understanding of government activity in the social welfare field. Such activity not only affects nonprofit revenues, however; it also affects the level and nature of the needs that nonprofit organizations are called upon to meet.

Unfortunately, however, the data needed to analyze the patterns of government social welfare activity are every bit as inadequate as the data on the scope and structure of the nonprofit sector. While it is possible to collect the budgets of states or local governments, these documents typically cover different geographic areas, apply to different time periods, use different groupings of programs, and take very little account of the extensive flows of funds from one level of government to another. As a consequence, there is no single source to which one can turn to get a complete, unduplicated count of the extent of spending by all levels of government on a given range of services in a particular geographic area such as Cook County (Chicago), Illinois, or San Francisco. Nor are data available on the extent of government contracting with nonprofit providers in these fields. As a consequence, leaders in both the public and private sectors, as well as the general public, are poorly equipped to set priorities, sort out public and private roles, or assess the implications of government policy changes on either the demand for nonprofit services or the revenues of nonprofit organizations.

### The Approach

To remedy this, The Urban Institute's Nonprofit Sector Project supplemented its analysis of the nonprofit sector with a detailed examination of federal, state, and local government social welfare spending, and of government contracting with nonprofit and for-profit providers. The result is the first comprehensive human services budget available in a comparable form across communities. The data cover sixteen communities broadly representative of the nation in six program areas of concern to nonprofit organizations: health care, social services, employment and training, housing and community development, arts and culture, and income assistance. The data were collected with the help of local associates living in the research sites. A standard research instrument was used, and considerable verification was carried out by national staff to insure that the data collected were both accurate and comparable from community to community.<sup>3</sup> The resulting data shed important new light on the way our social welfare system operates. In particular, five key findings are worth noting.

### Findings

1. Per capita government spending on human services varies widely among localities.

One of the principal findings of our work is that, despite efforts to smooth out inequities among locales in the provision of social welfare services, considerable variations remain. There is, in this sense, no single welfare state in America, but rather many distinct levels of government support and commitment to human services in different types of communities. In New York City, for example, per capita government

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<sup>3</sup>For a detailed discussion of the methodology used, see James C. Musselwhite, Jr., Rosalyn B. Katz, and Lester M. Salamon, Government Spending and the Nonprofit Sector in Pittsburgh/Allegheny County (Washington, D.C.: The Urban Institute Press, 1985).

spending in six major social welfare areas is about three times the level in Dallas (see table 10). Though there are exceptions, government social welfare spending is generally greater in the Northeast, Midwest, and in larger communities than in other kinds of communities. These differences are accounted for by a combination of differing local political philosophies, financial capacities, and needs. It is interesting, however, that the areas where government spending is highest are also the areas where the nonprofit sector is most highly developed, and vice versa. This suggests that government spending and private, nonprofit activity are products of the same impulses and casts doubt on theories that posit a conflict between these two sectors.

2. Most government social welfare spending is concentrated in just two program areas: health care and income assistance.

Reflecting, in part, the immense size of the federal Medicare program, spending for health care alone accounts for nearly 60 percent of government spending in the fields we examined, while income assistance accounts for an additional 25 percent. Therefore, these two program areas together account for about 85 percent of total spending.

This means that the four remaining program areas-- social services, employment and training, housing and community development, and arts and culture--together account for only about 15 percent of all government spending in the social welfare field. This suggests that there are real limits to the budget savings that are available in these four fields.

3. Most government human service activity is funded by the federal government, but most is administered by state and local government.

The federal government is the dominant source of funding for government social welfare programs, as might be expected given the tremendous expansion of the federal government over the last several decades. In the six program areas of interest here, in fact, the federal share of total spending in 1982 averaged approximately 70 percent (see table 11).

Though federal spending is prominent in all communities, it is important to note that the federal government picks up a different share of the social welfare tab from community to community. This is so because of differences in the socio-economic characteristics of communities, because of different traditions of state and local involvement in the social welfare field, because there are disproportionately large regional institutions in some communities, and because local communities are more or less aggressive in pursuing federal funds, including those that are channeled through state government. Among our sixteen study sites, the share of federal spending ranged from 91 percent in Jackson, Mississippi to 57 percent in Tuscola County, Michigan and in Pinal County, Arizona.

While the federal government is the dominant source of funding for government social welfare programs, state and local governments continue to play a crucial role. In the first place, state and local governments



provide about thirty percent of the funding, though this figure ranges widely among communities. In some fields, such as social services, moreover, the state and local share of spending averages a little over 40 percent of the total. In the second place, if Medicare is excluded, state and local governments have administrative control over two thirds of the federal funds spent in these program areas. This is so because many of the federal programs channel their funds through state and local governments. Taken together, therefore, about 80 percent of all government social welfare spending, excluding Medicare, is administered by state and local governments (see table 12). These governments thus make most of the decisions about how these services are delivered and by whom.

4. Nonprofit organizations deliver about as many government-funded human services as does government itself.

Much has been said about privatization of public services in the 1980s. Indeed, one gets the impression that privatization is something new, and that government has used private organizations very little to carry out programs that it funds. This simply is not the case. In fact, exclusive of income assistance, governments at all levels actually deliver less than half of the social welfare services they finance. In the typical community, government provides directly only about two-fifths of the services it funds in these fields (see table 13). The remaining three-fifths is contracted out to private nonprofit and for-profit organizations. About two-fifths of total government spending in social welfare goes to nonprofits, and about a fifth goes to for-profits. This high level of contracting out was in place long before the Reagan Administration, and has been the mechanism by which many of the new programs of the 1960s and 1970s were carried out.

Government reliance on nonprofits to deliver publicly financed services is particularly extensive in the fields of day care, elderly services, legal services, hospital services, in all of which nonprofits deliver over half of the publicly funded services. Nonprofits are also major providers of publicly funded services in the fields of family services, services for the disabled, child welfare services, mental health and drug abuse services, employment and training, and arts and culture.

Government's use of nonprofits also varies considerably among communities (see table 13). As a rule, governments in the Northeast and larger communities tend to use nonprofits more than governments in other kinds of communities. For example, government in the Pittsburgh area contracts out half the services it funds. By contrast, government in Tuscola County, Michigan contracts out only 12 percent of its social welfare funding to nonprofits. Generally speaking, government use of the nonprofit sector is greatest where the sector is strongest, and most limited where the sector is weakest.

What all of this means is that in the human service field, at least, less attention needs to be given to building public/private partnerships from scratch than to improving those that already exist. At a minimum, in our zeal to encourage privatization, care must be taken

to avoid damaging the extensive partnership arrangements between the public and the private nonprofit sectors that already exist.

5. Recent government budget cuts fell particularly hard on nonprofit organizations and have led to increased competition from for-profit providers.

While federal spending grew in the early 1980s in the large "entitlement" programs such as Medicare and income assistance, outside of these two areas federal budget cuts occurred that reduced the resources available for government human service activities in the remaining fields in most of our local sites. What is more, in many of these sites state spending, far from increasing to offset the federal declines, actually declined as a result of the recession that occurred. As a result, between 1982 and 1983, the years for which we collected local data, the value of government service spending, exclusive of Medicare and income assistance, declined by an average of 3 percent in our study sites. In some sites, however, the drop was much sharper than this, as shown in table 14. What is more, some fields--such as employment and training--experienced far more severe cuts than others.

Nonprofit organizations absorbed a disproportionate share of these cuts. Thus while government spending declined by 3 percent overall outside of Medicare and income assistance, government support for nonprofit service providers in these fields declined by over 5 percent. In some communities, moreover, the nonprofit losses were even more severe, reaching close to 10 percent or more in Boise (Idaho), Pittsburgh, Vicksburg (Mississippi), Jackson (Mississippi), Chicago, and Atlanta.

While nonprofits providers suffered disproportionate losses, for-profit providers fared better. In large part, this was because the for-profit sector expanded its operations in the large health care field. But for-profits also increased their revenues from government even in the smaller program areas such as social services and employment and training where government spending declined. The result is more active competition between nonprofits and for-profits for the available government contracts, a competition in which for-profit providers are apparently making headway at the expense of both government and nonprofit providers.

### Implications

The kind of work that we have done on government spending and use of nonprofits ought to be of particular value to communities in assessing the potentially large federal budget cuts they face under the Gramm-Rudman Act. What our work makes clear is that such cuts would have very different impacts on different communities. In particular, smaller com-



munities and communities in the South and West are generally more vulnerable to federal cutbacks such as those in the Gramm-Rudman Act because they rely more heavily on federal funds than other communities (see table 11). This should not be surprising. Much of the federal expansion of social welfare programs in the 1960s and 1970s was intended to provide a basic floor nationwide for some kinds of services and income assistance payments. In particular, many of these programs were aimed at poor communities where state and local resources did not exist to meet needs, and at communities more broadly where state and local governments had no tradition of supporting social welfare services. As a result, federal budget cuts would likely fall hardest on those communities where state and local government support for social welfare services has been weakest.

Beyond the immediate concerns about Gramm-Rudman, however, it is clear from our work that mastering the nonprofit sector alone is not enough for those who would be students and analysts of this set of institutions. Because of its great size and because of its large partnership arrangements with the nonprofit sector, the workings of government must also be understood clearly by those who are concerned with the future of the nonprofit sector. Unfortunately, the complexities of government in a heavily fragmented federal system do not make this an easy task for those in the nonprofit sector or in government. In point of fact, the country is a many-colored puzzle where very different government social welfare policies are found as one moves from community to community. The differences include very different amounts of public resources used for these programs, different state and local roles and expectations, and very different views about public-private

partnerships. In the short run at least, most communities will have to use very rough approximations of reality generated from existing but fragmentary information. It is to be hoped, however, that more communities will move toward developing comprehensive community information systems of the sort outlined here that will make possible better decisions by both public and private decisionmakers.

### Conclusion

The work we have done on the nonprofit sector and on government human service spending has shed some much-needed empirical light on a set of institutions and relationships that is vital to American society but that has largely escaped serious scrutiny up to now. In the process, we have challenged some long-standing misconceptions about the character and role of nonprofit institutions and about the operation of the American version of the modern welfare state.

While we have learned a great deal, however, our work has also demonstrated that much still remains to be learned. We have documented, for example, considerable variation in the scope and structure of the nonprofit sector from place to place, but this variation does not seem to fit very well with the major theoretical explanations available in the literature. Similarly, we have identified considerable differences in the extent of government use of nonprofit providers to deliver services among different locales, yet our understanding of the bases of the governmental decisions to contract out or to provide services directly through public agencies remains rudimentary. Likewise, we have only limited understanding about the advantages or disadvantages of using nonprofit, for profit, or government service providers. Finally,

our work has documented a considerable expansion in nonprofit use of fees and service charges to finance the sector's activities, but the consequences of this trend for the structure of nonprofit services or the client focus of the sector remain unclear.

In short, our work has usefully explored the tip of a very large, but still mostly submerged, iceberg. If it has demonstrated that this is territory well worth exploring and developed some useful signposts for others on the trail, however, it will have served its purpose well.

Table 1

Field Sites for Urban Institute Nonprofit  
Sector Project Local Work

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<u>Northeast</u>	<u>South</u>
New York	Dallas/Ft. Worth
Pittsburgh	Atlanta
Providence, RI	Jackson, MS
Fayette County, PA	Warren County, MS
<u>Midwest</u>	<u>West</u>
Chicago	San Francisco
Minneapolis/St. Paul	Phoenix
Flint, MI	Boise, ID
Tuscola County, MI	Pinal County, AZ

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Table 2

Percentage of Agencies That Specialize in a Particular Service Area or Client Group

Service Category	Percentage of Agencies Specializing in
<b>Service Area<sup>a</sup></b>	
Social services	24%
Cultural/arts/recreation	18
Multiservices	16
Education/research	13
Health services	8
Institutional/residential care	6
Housing/community development	4
Employment/training/income support	4
Advocacy/legal services	4
Mental Health	3
Total	100%
<b>Client Groups<sup>b</sup></b>	
Black	15%
Hispanic	4
Asian-American	3
Poor	29%
Unemployed	19
Single Parents	15
Disabled	13
Ex-offenders	2

Source: The Urban Institute Nonprofit Sector Project Survey.

<sup>a</sup>Primary service activity is defined as the area in which an agency spends 50 percent or more of its funds. If an agency does not meet this criteria, it was classified as a "multiservice" organization.

<sup>b</sup>Agencies in which more than 50 percent of clients belong to a specific target group.

Table 3

DISTRIBUTION OF NONPROFIT HUMAN SERVICE ORGANIZATIONS BY  
SIZE OF 1982 EXPENDITURES

Agency Size	All Sites	
	Percentage of Organizations	Percentage of Sector Expenditures
Less than \$100,000	40%	2%
\$100,000-\$499,999	35	12
\$500,000-\$1 million	10	10
Over \$1 million	15	76
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>
Median expenditures	\$150,000	
Mean expenditures	\$758,058	

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

**Table 4**  
**REVENUE SOURCES OF NONPROFIT**  
**HUMAN SERVICE ORGANIZATIONS, 1982**  
**(n = 2,304)**

	Share of Total Nonprofit Revenue from Source	Percentage of Organizations with ANY Support from Source
Government	38.4%	60.3%
Fees/dues/charges	29.6	68.9
Private giving		
Direct individual giving	6.4	58.2
United Way	5.4	23.4
Foundation grants	3.5	38.0
Corporate gifts	3.2	33.6
Other federated funders	1.5	6.9
Religious organizations	1.3	13.0
SUBTOTAL, private giving	21.3%	N/A
Endowment/investments	4.6	32.7
Other <sup>a</sup>	5.7	23.6
Unspecified	0.4	N/A
TOTAL	100.0%	N/A

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

<sup>a</sup>Includes such sources of revenue as sales of products, special fundraising events, and rental of facilities.



Table 5

1982 Nonprofit Sector Income by Service Area and Funding Source

Service Area	Government	Fees	Private Giving	Endowment Investments	All Remaining	Total
Mental health	62%	28%	6%	3%	1%	100%
Social services	54	14	27	3	2	100
Legal services/advocacy	53	14	28	1	5	100
Housing/community development	52	27	18	3	1	100
Employment/training/inc. support	51	10	13	3	23	100
Institutional/residential care	50	32	12	4	2	100
Multiservices	44	24	26	3	3	100
Health	30	52	13	3	3	100
Education/research	26	32	30	9	6	100
Culture/arts/recreation	14	28	31	11	17	100
<b>All agencies</b>	<b>38%</b>	<b>30%</b>	<b>21%</b>	<b>5%</b>	<b>6%</b>	<b>100%</b>

NOTE: Numbers may not sum to 100 percent because of rounding.

Source: The Urban Institute Nonprofit Sector Project Survey

Table 6

**NONPROFIT REVENUES FROM SELECTED SOURCES:  
TWELVE METROPOLITAN SITES 1982**

Site	Percentage of Organizations' Total Revenues Coming from		
	Government	Fees/Dues/ Charges	Private Giving
JACKSON	66%	7%	25%
Pittsburgh	51	21	17
Providence	51	27	16
Boise	44	14	34
San Francisco	44	33	15
New York	43	17	20
Phoenix	41	28	23
Minneapolis/St. Paul	37	33	22
Atlanta	36	34	23
Dallas/Fort Worth	34	25	29
Flint	33	32	17
Chicago	32	29	29
<b>ALL SITE AVERAGE<sup>a</sup></b>	<b>38%</b>	<b>30%</b>	<b>21%</b>

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

<sup>a</sup>Includes data from the four nonmetropolitan study sites as well as from the twelve metropolitan sites listed.

**Table 7**

**Inflation Adjusted Change in Revenue by Service Area and Funding Source:  
1981-1982**

<b>Service Area</b>	<b>Government</b>	<b>Fees</b>	<b>Private Giving</b>	<b>Total Revenues</b>
Mental health	-0.1%	+29.4%	-6.1%	+6.5%
Social services	-8.8	+3.6	+2.8	-4.0
Legal services/advocacy	-28.8	+19.2	+4.3	-15.5
Housing/community development	-15.6	+45.0	+14.0	+1.9
Employment/training/inc. support	-12.7	+0.9	-1.0	-6.3
Institutional/residential care	+4.1	+5.4	+15.1	+4.4
Multiservices	-8.1	+4.0	+4.0	-1.7
Health	-1.3	+6.6	-0.4	+3.3
Education/research	-7.3	+2.5	+6.9	+0.6
Culture/arts/recreation	-1.3	+8.5	+6.8	+5.7
<b>All agencies</b>	<b>-6.3%</b>	<b>+6.6%</b>	<b>+5.0%</b>	<b>+0.5%</b>

**Source: The Urban Institute Nonprofit Sector Project Survey**

Table 8

**INFLATION-ADJUSTED CHANGES IN GOVERNMENT AND NONGOVERNMENT  
SUPPORT AND TOTAL SPENDING FOR AGENCIES  
IN TWELVE METROPOLITAN SITES, 1981 TO 1982**

Site	Inflation-Adjusted Changes in--		
	Government Support	Nongovernment Support	Total Spending
Atlanta	-22.9%	+ 6.2	-6.5%
Boise	-18.6	+ 6.9	-6.0
Flint	-15.9	- 0.8	-6.3
Jackson	-11.5	+ 9.1	-5.4
Phoenix	-10.9	+16.5	+3.6
Dallas-Fort Worth	- 9.5	+10.5	+2.9
Rhode Island	- 8.8	+ 4.8	-2.6
San Francisco	- 6.4	+ 9.0	+1.6
Chicago	- 6.2	+ 3.0	-0.1
Pittsburgh	- 6.2	+ 3.4	-1.7
Minneapolis/St. Paul	- 2.5	+ 6.9	+3.2
New York	+ 4.4	+ 1.6	+2.8
<b>AVERAGE FOR ALL SITES<sup>a</sup></b>	<b>- 6.3%</b>	<b>+ 5.3%</b>	<b>+0.5%</b>

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

<sup>a</sup>Includes data from four nonmetropolitan sites as well as twelve metropolitan sites listed.

Table 9

**Actions Taken by Nonprofit Organizations to Cope With  
Changes in Funding Levels**

<b>Action Taken</b>	<b>% of Respondents</b>
<b><u>Affecting agency staff</u></b>	
Increased staff workload	31%
Reduced administrative staff	22
Not fill staff vacancies	21
Reduced service delivery staff	19
Instituted salary freeze	12
Reduced staff benefits	7
Reduced work week for paid staff	6
<b><u>Affecting management operations</u></b>	
Devoted more resources to fundraising activities	56%
Relied more on volunteers	33
Reorganized administrative staff	26
Started new management efficiency programs	25
Shared resources with other agencies	19
Merged with another organization	2
<b><u>Affecting services or clients</u></b>	
Increased or instituted fees for service	26%
Eliminated specific programs or services	17
Reduced the number of clients served	12
Tightened eligibility requirements	10
Reduced level of service provided	10

Source: The Urban Institute Nonprofit Sector Project Survey.

Table 10

## TOTAL GOVERNMENT SPENDING FOR SIX MAJOR SOCIAL WELFARE FIELDS, 1982

<u>Community</u>	<u>Per Capita Spending</u>
New York City	1,670
San Francisco, Cal.	1,633
Atlanta (Fulton County), Ga.	1,088
Chicago (Cook County), Ill.	1,076
Minneapolis (Hennepin County), Minn.	1,072
Pittsburgh (Allegheny County), Pa.	1,018
St. Paul (Ramsey County), Minn.	1,009
Rhode Island (Providence)	996
Jackson (Hinds County), Miss.	911
Caro (Tuscola County), Mich.	821
Flint (Genesee County), Mich.	797
Casa Grande (Pinal County), Ariz.	701
Boise (Ada County), Id.	595
Phoenix (Maricopa County), Ariz.	563
Vicksburg (Warren County), Miss.	562
Dallas (Dallas County), Tex.	506
Unweighted mean	\$939
Weighted mean	\$1,188

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

Table 11

## FEDERAL SHARE OF TOTAL GOVERNMENT SPENDING FOR SOCIAL WELFARE, 1982

<u>Community</u>	<u>Federal Share</u>
Jackson (Hinds County), Miss.	91%
Boise (Ada County), Id.	85
Vicksburg (Warren County), Miss.	84
Dallas (Dallas County), Tex.	78
Phoenix (Maricopa County), Ariz.	77
Pittsburgh (Allegheny County), Pa.	77
Atlanta (Fulton County), Ga.	77
Rhode Island (Providence)	73
Minneapolis (Hennepin County), Minn.	71
Flint (Genesee County), Mich.	70
Chicago (Cook County), Ill.	68
St. Paul (Ramsey County), Minn.	67
New York City	63
San Francisco, Cal.	62
Casa Grande (Pinal County), Ariz.	57
Caro (Tuscola County), Mich.	57
Unweighted mean	72%
Weighted mean	67%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.



Table 12

**STATE AND LOCAL GOVERNMENT ADMINISTRATION  
OF SOCIAL WELFARE PROGRAMS, EXCLUSIVE OF MEDICARE 1982**

<u>Community</u>	<u>Percentage of Spending Administered by State and Local Government*</u>
Caro (Tuscola County), Mich.	95%
Flint (Genesee County), Mich.	92
St. Paul (Ramsey County), Minn.	91
New York City	87
Chicago (Cook County), Ill.	86
Rhode Island (Providence)	83
Pittsburgh (Allegheny County), Pa.	80
Atlanta (Fulton County), Ga.	80
Casa Grande (Pinal County), Ariz.	80
Minneapolis (Hennepin County), Minn.	79
San Francisco, Cal.	77
Vicksburg (Warren County), Miss.	75
Phoenix (Maricopa County), Ariz.	74
Dallas (Dallas County), Tex.	72
Boise (Ada County), Id.	60
Jackson (Hinds County), Miss.	56
Unweighted mean	79%
Weighted mean	85%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

\*This figure excludes the large Medicare program which is federally funded and administered. The Medicare program is a health care financing program for the elderly that makes direct payments to hospitals, doctors, and other providers of health services.

Table 13

## PROVIDERS OF GOVERNMENT FUNDED SOCIAL WELFARE SERVICES, 1982

<u>Community</u>	<u>Percent of total spending delivered by</u>		
	<u>Nonprofit</u>	<u>For-Profit</u>	<u>Government</u>
Pittsburgh (Allegheny County), Pa.	50%	18%	32%
Chicago (Cook County), Ill.	48	18	35
New York City	43	18	39
Rhode Island (Providence)	40	22	38
San Francisco, Cal.	40	19	41
St. Paul (Ramsey County), Minn.	40	24	36
Minneapolis (Hennepin County), Minn.	38	21	42
Phoenix (Maricopa County), Ariz.	37	27	36
Vicksburg (Warren County), Miss.	34	27	37
Boise (Ada County), Id.	33	17	50
Flint (Genesee County), Mich.	28	31	41
Dallas (Dallas County), Tex.	27	24	49
Atlanta (Fulton County), Ga.	27	20	53
Jackson (Hinds County), Miss.	23	16	59
Casa Grande (Pinal County), Ariz.	16	18	66
Caro (Tuscola County), Mich.	12	18	71
Unweighted mean	34%	21%	45%
Weighted mean	42%	19%	39%

Source: Data compiled and estimated by The Urban Institute Sector Project from federal, state, and local government sources.

Table 14

**CHANGE IN GOVERNMENT SPENDING AND SUPPORT OF  
NONPROFIT ORGANIZATIONS, 1982-1983**

<u>Community</u>	<u>Change in Government Spending Excluding Medicare &amp; Income Assistance</u>	<u>Change in Government Support of Nonprofits Excluding Medicare</u>
Boise (Ada County), Id	-7%	-12%
Pittsburgh (Allegheny County) Pa.	-11	-13
Chicago (Cook County), Ill.	-5	-9
Dallas (Dallas County), Tex.	-2	-5
Atlanta (Fulton County), Ga.	-6	-9
Flint (Genesee County), Ga.	+8	-5
Minneapolis (Hennepin County), Minn.	+2	+5
Jackson (Hinds County), Miss.	-6	-10
Phoenix (Maricopa County), Minn.	-1	-7
New York City	-2	-1
Casa Grande (Pinal County), Ariz.	+2	-4
St. Paul (Ramsey County), Minn.	+3	+7
Rhode Island (Providence)	-4	-3
San Francisco, Cal.	-4	-7
Caro (Tuscola County), Mich.	-3	+3
Vicksburgh (Warren County), Miss.	-6	-11
Unweighted mean	-3%	-5%
Weighted mean	-3%	-4%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

## NONPROFIT SECTOR PROJECT SPONSORS

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Alcoa Foundation  
American Telephone and Telegraph Company  
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